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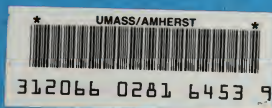


The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
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A. JOSEPH DeNUCCI
AUDITOR



(617) 727-6200

NO. 94-3011-8

STATE AUDITOR'S
REPORT ON THE ACTIVITIES
OF THE
CHICOPEE HOUSING AUTHORITY
JULY 1, 1992 TO JUNE 30, 1993

GOVERNMENT DOCUMENTS
COLLECTION

1994

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OFFICIAL AUDIT REPORT

APR 28 1994

ISSUED BY THE
Department of the State Auditor

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<u>Status of Prior Audit Results:</u> Our prior audit report of the Chicopee Housing Authority (No. 93-3075-8), which covered the period July 1, 1991 to June 30, 1992, noted that the Authority lost approximately \$28,462 in potential rental income because of excessive delays in renting 90 vacant units. Our current audit found that potential rental income lost had increased significantly to \$82,547 during fiscal year 1993. The Authority stated that at this time it did not wish to comment on the report.	8
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The Commonwealth of Massachusetts

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STATE HOUSE, BOSTON 02133

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INDEPENDENT AUDITOR'S REPORT

Bruce E. Socha, Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

We have audited the Chicopee Housing Authority's financial statements for the fiscal year ended June 30, 1993, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

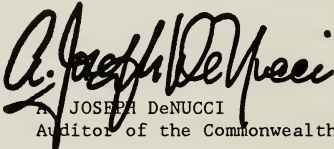
As described in the Notes to Financial Statements, No. 2, the Authority's records are maintained on bases of accounting prescribed by the Commonwealth's Executive Office of Communities and Development (EOCD) and the U.S. Department

of Housing and Urban Development (HUD), which are comprehensive bases of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chicopee Housing Authority as of June 30, 1993, and the results of its operations for the fiscal year then ended, in conformity with the bases of accounting prescribed by EOCD and HUD.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Federal Financial Assistance (Supplementary Schedule) is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

December 17, 1993


JOSEPH DeNUCCI
Auditor of the Commonwealth



The Commonwealth of Massachusetts

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REPORT ON THE INTERNAL CONTROL STRUCTURE

Bruce E. Socha, Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

We have audited the Chicopee Housing Authority's financial statements for the fiscal year ended June 30, 1993 and have issued our report thereon dated December 17, 1993.

We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Chicopee Housing Authority for the fiscal year ended June 30, 1993, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Chicopee Housing Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets

are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles prescribed by the Commonwealth's Executive Office of Communities and Development (EOCD) and the U.S. Department of Housing and Urban Development (HUD). Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Cash and cash equivalents
- Receivables
- Inventory
- Property and equipment
- Payables and accrued liabilities
- Debt

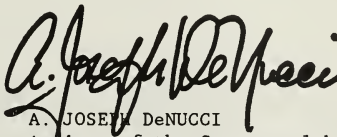
For all of the internal control structure categories listed above, we obtained an understanding of the design of the relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the

financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Chicopee Housing Authority's management, EOCD, and HUD. However, this report is a matter of public record, and its distribution is not limited.

December 17, 1993



A. JOSEPH DeNUCCI
Auditor of the Commonwealth



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REPORT ON COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Bruce E. Socha, Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

We have audited the Chicopee Housing Authority's financial statements for the fiscal year ended June 30, 1993 and have issued our report thereon dated December 17, 1993.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

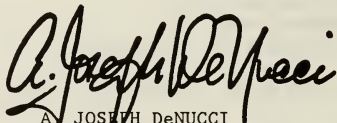
Compliance with laws, regulations, contracts, and grants applicable to the Chicopee Housing Authority is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Chicopee Housing Authority complied, in all material respects, with the

provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Chicopee Housing Authority had not complied, in all material respects, with those provisions.

This report is intended for the information of management, the Commonwealth's Executive Office of Communities and Development, and the U.S. Department of Housing and Urban Development. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

December 17, 1993


A. JOSEPH DeNUCCI
Auditor of the Commonwealth

AUDIT RESULTS

Status of Prior Audit Results

Our prior Audit Report (No. 93-3075-8) on the Chicopee Housing Authority, which covered the period July 1, 1991 to June 30, 1992, indicated that the Authority lost approximately \$28,462 in potential rental income because of excessive delays in renting 90 vacant units.

Our current audit found that potential rental income loss during fiscal year 1993 amounted to approximately \$82,547. The schedule below shows how the \$82,547 was calculated:

<u>State-Aided Program</u>	<u>Number of Units</u>	<u>Total Vacant Days</u>	<u>Days in Excess of EOCD Criteria</u>	<u>Loss in Potential Rental Income</u>
Elderly Housing	61	7,928	6,705	\$42,443
Family Housing	<u>54</u>	<u>6,985</u>	<u>5,846</u>	<u>40,104</u>
	<u>115</u>	<u>14,913</u>	<u>12,551</u>	<u>\$82,547</u>

We noted that the largest increase in potential rental income loss occurred in the family housing program as the following table indicates:

<u>State-Aided Program</u>	<u>Potential Rental Income Loss</u>		
	<u>Fiscal Year 1993</u>	<u>Fiscal Year 1992</u>	<u>Increase</u>
Elderly Housing	\$42,443	\$24,576	\$17,867
Family Housing	<u>40,104</u>	<u>3,886</u>	<u>36,218</u>
	<u>\$82,547</u>	<u>\$28,462</u>	<u>\$54,085</u>

The significant increase in excess vacancies in the family housing program occurred even though there were 313 applicants on the waiting list for family housing as of June 30, 1993. Because of the delays, eligible applicants were deprived, at least temporarily, of subsidized housing.

The Executive Office of Communities and Development's (EOCD) Management Incentive Program for Massachusetts Housing Authorities requires each housing

authority to verify that it is taking adequate steps to maintain the lowest possible vacancy rate. Additionally, EOCD's Property Maintenance Guide, Chapter 1, General Maintenance Procedures, states:

EOCD believes a reasonable outside limit for turning around vacancies is 21 working days where notice has been given. . . . The maintenance portion of the vacancy process should not take longer than 14 days. Many vacancies should take far less time, such as routine vacancies in elderly buildings, and some will take substantially more. The 21 days should be seen as a good target for your average turnaround time. EOCD requires your vacancy ledger to document the reasons for vacancy periods of longer than 21 days.

Our current review indicated that the Authority's vacancy ledger did not document the reasons for vacancy periods of longer than 21 days as required by EOCD. The Authority's Executive Director stated that the Authority was well aware of the vacancy turnaround problem, and that several factors contributed to the excessive delays during the period under audit. These included maintenance employee turnover (including the maintenance supervisors), excessive sick-time usage by the maintenance staff, extensive damage to some units, applicants lengthy response time to unit offers, and the refusal of applicants to accept less desirable (e.g., small, second-floor) units.

Another factor which contributed to the turnaround problem was the adoption of the Criminal Offender Record Information (CORI) Clearance Law, provided for under 803 Code of Massachusetts Regulations 500. This law provides housing authorities with the opportunity to obtain information on prospective tenants' criminal records. The Executive Director indicated that the process of obtaining this information from the CORI board had added an average of 30 days to the vacancy turnaround.

Although the CORI Clearance Law may have delayed the vacancy turnaround process, the primary problem lies with the other factors indicated above. Our review of vacancies found that turnaround time exceeded 200 days for many units.

Recommendation: The Authority should continue its efforts to reduce the turnaround time for vacated unit occupancy and ensure that the reasons for delays over 21 days are documented in the vacancy ledgers, as required by EOCD.

Auditee's Response: The Authority stated that at this time it did not wish to comment on the report.

FINANCIAL STATEMENTSStatement No. IRevolving FundBalance Sheet

June 30, 1993

Assets

Cash	\$10,055
Accounts Receivable	<u>30,449</u>
Total Assets	<u>\$40,504</u>

Liabilities and Advances

Accounts Payable	\$ 104
Advances	<u>40,400</u>
Total Liabilities and Advances	<u>\$40,504</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. IIState-Aided Program in ManagementBalance Sheet

June 30, 1993

<u>Assets</u>	<u>Housing Program 400</u>
Cash	\$ 7,386
Accounts Receivable	78,601
Advances	20,200
Investments	865,105
Fiscal Agent Funds	1,492
Deferred Charges	21,994
Development Costs	11,785,000
Less: Development Cost Liquidation	(3,155,000)
Completed Modernization Costs	1,121,654
Inventory of Furniture and Equipment	566,979
Total Assets	<u>\$11,313,411</u>
<u>Liabilities and Surplus</u>	
Accounts Payable	\$ 349,075
Accrued Liabilities	17,212
Deferred Credits	9,116
Grants Issued	8,630,000
Cumulative EOCB Modernization Contributions	1,121,654
Surplus	1,186,354
Total Liabilities and Surplus	<u>\$11,313,411</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. IIIState-Aided Programs in ManagementOperating Statement

Fiscal Year Ended June 30, 1993

	<u>Housing Program 400</u>
Operating Receipts:	
Shelter Rent	\$1,775,887
Nondwelling Rents	1,472
Interest on Investments	27,658
Other Operating Receipts	10,810
Total Operating Receipts	<u>\$1,815,827</u>
Operating Expenditures:	
Administrative	\$ 239,982
Tenant Organization	1,908
Maintenance	447,119
General	294,629
Provision for Operating Reserve	194,567
EOCD-Directed Costs	56,845
Utilities	860,413
Total Operating Expenditures	<u>\$2,095,463</u>
Deficit before Subsidy Earned	\$ 279,636
Operating Subsidy Earned	<u>381,839</u>
Income before Nonroutine Expenditures	\$ 102,203
Nonroutine Expenditures	<u>257,313</u>
Net Deficit	<u>\$ 155,110</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. IVState-Aided Program in ManagementAnalysis of Surplus

Fiscal Year Ended June 30, 1993

Housing
Program 400

Valuation of Fixed Assets

Balance June 30, 1992	\$ 561,336
Additions	5,643
Balance June 30, 1993	<u>\$ 566,979</u>

Operating Reserve

Balance June 30, 1992	\$ 703,467
Net (Deficit)	(155,110)
Provision for Operating Reserve	194,567
Prior Year Adjustment - EOCD	(197,146)
Balance June 30, 1993	<u>\$ 545,778</u>

Capital Reserve

Balance June 30, 1992	\$ 65,789
Damage Settlements	7,256
Balance June 30, 1993	<u>\$ 73,045</u>

Unamortized Bond Premium

Balance June 30, 1992	\$ 552
Balance June 30, 1993	<u>\$ 552</u>

Total Surplus	<u>\$1,186,354</u>
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The accompanying notes are an integral
part of these financial statements.

Statement No. VState-Aided Program in ModernizationBalance Sheet

June 30, 1993

Assets

Investments	\$ 1,537
Modernization Costs (Net)	<u>436,233</u>
Total Assets	<u>\$437,770</u>

Liabilities and Grants

Accounts Payable	\$ 2,182
Grants Issued	<u>435,588</u>
Total Liabilities and Grants	<u>\$437,770</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. VIState-Aided Program in ModernizationStatement of Modernization Costs

June 30, 1993

	<u>Work Plan Number 1002</u>
Administration	\$ 1,090
Planning	77,613
Contract Costs	562,222
Furniture and Equipment	<u>142</u>
Total Modernization Costs	\$641,067
Less:	
Interest Income	5,283
Funds Provided by Program 400	<u>199,551</u>
Modernization Costs (Net)	<u>\$436,233</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. VIIFederally Aided ProgramsBalance Sheets

June 30, 1993

<u>Assets</u>	<u>Annual Contributions Contract</u>				
	<u>NY-526</u>	<u>B-1120</u>			
	<u>Public</u>	<u>Section 8 Program</u>			
	<u>Housing</u>	<u>Existing</u>	<u>Renewal 10</u>	<u>Renewal 11</u>	<u>Voucher</u>
Cash	\$ 5,818	\$ 3,253	-	-	\$ 11
Accounts Receivable	18,077	23,179	\$ 221	\$ 4,227	-
Advances	10,200	10,168	-	-	-
Investments	631,035	35,429	30,066	5,675	2,908
Debt Amortization Funds	524,670	-	-	-	-
Land, Structures, and Equipment	8,679,655	9,777	-	-	-
Deferred Charges	45,997	2,515	2,948	1,715	225
Undistributed Debits	889	-	-	-	-
Total Assets	<u>\$9,916,341</u>	<u>\$84,321</u>	<u>\$33,235</u>	<u>\$11,617</u>	<u>\$3,144</u>
<u>Liabilities and Surplus</u>					
Accounts Payable	\$ 47,579	\$ 4,771	\$ 9,322	\$ 8,014	\$2,605
Notes Payable	727,154	-	-	-	-
Accrued Liabilities	72,033	-	-	-	-
Deferred Credits	3,720	-	-	-	-
Fixed Liabilities	3,753,850	-	-	-	-
Total Liabilities	<u>\$4,604,336</u>	<u>\$ 4,771</u>	<u>\$ 9,322</u>	<u>\$ 8,014</u>	<u>\$2,605</u>
Surplus	<u>5,312,005</u>	<u>79,550</u>	<u>23,913</u>	<u>3,603</u>	<u>539</u>
Total Liabilities and Surplus	<u>\$9,916,341</u>	<u>\$84,321</u>	<u>\$33,235</u>	<u>\$11,617</u>	<u>\$3,144</u>

The accompanying notes are an integral part of these financial statements.

Statement No. VIIIFederally Aided ProgramsStatements of Income and Expenses

Fiscal Year Ended June 30, 1993

	NY-526 Public Housing	Annual Contributions Contract			
		B-1120			
		Section 8 Program			
		Existing	Renewal 10	Renewal 11	Voucher
Operating Income:					
Dwelling Rental	\$ 751,471	-	-	-	-
Interest on General Fund					
Investments	12,311	\$ 58	\$ 55	\$ 271	\$ 16
Interest on Operating					
Reserve Investments	-	911	794	431	81
Other Income	4,565	14,658	11	7	1
Total Operating Income	<u>\$ 768,347</u>	<u>\$ 15,627</u>	<u>\$ 860</u>	<u>\$ 709</u>	<u>\$ 98</u>
Operating Expenses:					
Administration	\$ 133,777	\$ 46,397	\$ 98,422	\$ 61,051	\$ 7,713
Tenant Services	921	-	-	-	-
Utilities	403,227	-	-	-	-
Ordinary Maintenance and					
Operation	212,600	-	-	-	-
General Expenses	245,740	-	-	-	-
Nonroutine Maintenance	583	-	-	-	-
Housing Assistance Payments	-	388,522	718,308	459,654	49,778
Total Operating Expenses	<u>\$ 996,848</u>	<u>\$ 434,919</u>	<u>\$ 816,730</u>	<u>\$ 520,705</u>	<u>\$ 57,491</u>
Net Operating Loss	\$ (228,501)	\$ (419,292)	\$ (815,870)	\$ (519,996)	\$ (57,393)
Other (Charges)/Credits:					
Prior Year Adjustments					
Affecting Residual Receipts	8,357	-	-	-	-
Interest on Notes and Bonds					
Payable	(179,836)	-	-	-	-
Gain on Disposition of Non-					
expendable Equipment	6,931	-	-	-	-
Net Loss	<u><u>\$ (393,049)</u></u>	<u><u>\$ (419,292)</u></u>	<u><u>\$ (815,870)</u></u>	<u><u>\$ (519,996)</u></u>	<u><u>\$ (57,393)</u></u>

The accompanying notes are an integral
part of these financial statements.

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Statement No. IXFederally Aided ProgramsAnalysis of Surplus

Fiscal Year Ended June 30, 1993

	<u>Annual Contributions Contract</u>			
	<u>B-1120</u>			
	<u>Section 8 Program</u>	<u>Renewal 10</u>	<u>Renewal 11</u>	<u>Voucher</u>
<u>Unreserved Surplus</u>				
	<u>NY-526</u>			
	<u>Public</u>			
	<u>Housing</u>			
		<u>Existing</u>		
Balance June 30, 1992	\$ (7,834,905)	\$ (13,782,879)	\$ (2,063,144)	\$ (254,753)
Net Loss	(393,049)	(419,292)	(815,870)	(57,393)
Provision for Operating Reserve	(71,455)	(18,846)	(5,387)	1,513
Provision for Project Account	-	(676,980)	(554,173)	(16,038)
Prior Year Adjustment	-	(3,765)	-	-
Balance June 30, 1993	<u>\$ (8,299,409)</u>	<u>\$ (14,901,762)</u>	<u>\$ (3,438,574)</u>	<u>\$ (326,671)</u>
<u>Operating Reserve</u>				
Balance June 30, 1992	\$ 391,125	\$ 56,940	\$ 18,526	\$ 2,052
Provision for Operating Reserve	71,455	18,846	5,387	(1,513)
Prior Year Adjustment	126,107	3,765	-	-
Balance June 30, 1993	<u>\$ 588,687</u>	<u>\$ 79,551</u>	<u>\$ 23,913</u>	<u>\$ 539</u>
<u>Project Account Unfunded</u>				
Balance June 30, 1992	-	\$ 742,812	\$ 907,513	\$ 99,027
Provision for Project Account	-	676,980	554,173	16,038
Balance June 30, 1993	<u>-</u>	<u>\$ 1,419,792</u>	<u>\$ 1,461,686</u>	<u>\$ 115,065</u>
<u>Cumulative Annual Contributions</u>				
Balance June 30, 1992	\$ 11,371,495	\$ 13,043,831	\$ 1,155,631	\$ 155,726
Accruing Annual Contributions	361,599	-	-	-
Operating Subsidy	420,296	-	-	-
Annual Contributions Earned	-	438,138	821,257	55,880
Balance June 30, 1993	<u>\$ 12,153,390</u>	<u>\$ 13,481,969</u>	<u>\$ 1,976,888</u>	<u>\$ 211,606</u>

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Statement No. IX (Continued)Federally Aided ProgramsAnalysis of Surplus

Fiscal Year Ended June 30, 1993

	Annual Contributions Contract			
	B-1120			
	Section 8 Program		Renewal 11	
	Existing	Renewal 10	Renewal 11	Voucher
NY-526				
Public				
Housing				
\$ 716,550	-	-	-	-
138,450	-	-	-	-
<u>\$ 855,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 14,337	-	-	-	-
<u>\$ 14,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,312,005</u>	<u>\$ 79,550</u>	<u>\$ 23,913</u>	<u>\$ 3,603</u>	<u>\$ 539</u>

Cumulative Modernization Grants

Balance June 30, 1992
 Modernization Funds Received
 Balance June 30, 1993

Cumulative Donations

Balance June 30, 1992
 Balance June 30, 1993

Total Surplus

The accompanying notes are an integral
 part of these financial statements.

Statement No. XFederally Aided ProgramsComputation of Residual Receipts and
Accruing Annual Contributions

Fiscal Year Ended June 30, 1993

	<u>Public Housing</u>
	<u>Annual Contributions</u>
	<u>Contact NY-526</u>
<u>Computation of Residual Receipts</u>	
Operating Receipts:	
Operating Income	\$ 768,347
Operating Subsidy	420,296
Prior Year Adjustments	
Affecting Residual Receipts	8,357
Total Operating Receipts	<u>\$1,197,000</u>
Operating Expenses:	
Operating Expenses	\$ 996,848
Capital Expenditures	128,697
Total Operating Expenses	<u>\$1,125,545</u>
Residual Receipts per Audit	\$ 71,455
Provision for Operating Reserve	<u>(71,455)</u>
Residual Receipts per Authority	<u>-</u>
<u>Computation of Accruing Annual Contributions</u>	
Fixed Annual Contributions	<u>\$ 361,599</u>

The accompanying notes are an integral
part of these financial statements.

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Statement No. XIFederally Aided ProgramsComputation of Annual Contributions Earned and
Project Account - Operating Reserve Changes

Fiscal Year Ended June 30, 1993

	<u>Annual Contributions Contract</u>		
	<u>B-1120</u>		
	<u>Section 8 Program</u>		<u>Voucher</u>
	<u>Existing</u>	<u>Renewal 10</u>	<u>Renewal 11</u>
<u>Maximum Annual Contributions Available</u>			
Maximum Annual Contributions Commitment	\$1,115,118	\$1,375,430	\$ 829,713
Project Account at Beginning of Year	742,813	907,513	231,630
Total Annual Contributions Available	<u>\$1,857,931</u>	<u>\$2,282,943</u>	<u>\$1,061,343</u>
<u>Annual Contributions Required</u>			
Housing Assistance Payments	\$ 388,522	\$ 718,308	\$ 459,654
Administrative Fees Earned	46,267	102,365	60,646
Hard-to-House Fees Earned	90	-	90
Audit Costs	292	639	372
Preliminary Expense	3,025	-	-
Total Funds Required	<u>\$ 438,196</u>	<u>\$ 821,312</u>	<u>\$ 520,762</u>
Less: Project Receipts Other than			
Annual Contributions	58	55	271
Total Annual Contributions Required	<u>\$ 438,138</u>	<u>\$ 821,257</u>	<u>\$ 520,491</u>
<u>Project Account Change</u>			
Provision for Project Account	<u>\$ 676,980</u>	<u>\$ 554,173</u>	<u>\$ 309,222</u>
			<u>\$16,038</u>

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Statement No. XI (Continued)Federally Aided ProgramsComputation of Annual Contributions Earned and
Project Account - Operating Reserve Changes

Fiscal Year Ended June 30, 1993

	<u>Annual Contributions Contract</u>			
	<u>B-1120</u>			
	<u>Section 8 Program</u>		<u>Renewal 11</u>	
	<u>Existing</u>	<u>Renewal 10</u>	<u>Renewal 11</u>	<u>Voucher</u>
<u>Annual Contributions Earned</u>				
Lesser of Contributions Available or				
Contributions Required	\$ 438,138	\$ 821,257	\$ 520,491	\$55,880
<u>Operating Reserve Changes</u>				
Operating Income	\$ 15,627	\$ 860	\$ 709	\$ 98
Annual Contributions Earned	438,138	821,257	520,491	55,880
Total Operating Receipts	\$ 453,765	\$ 822,117	\$ 521,200	\$55,978
Total Operating Expenses	434,919	816,730	520,705	57,491
Provision for Operating Reserve	\$ 18,846	\$ 5,387	\$ 495	\$ (1,513)

These accompanying notes are an integral
part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

The Chicopee Housing Authority is authorized by and operates under the provisions of Chapter 121B of the Massachusetts General Laws, as amended. The Authority operates and administers low-rent housing programs, which are funded/assisted by the Commonwealth's Executive Office of Communities and Development (EOCD) and the U.S. Department of Housing and Urban Development (HUD). The Authority is governed by five members. (See Organization section of this report.)

All operations and programs for which the Authority has oversight responsibility are included in the Financial Statements section of this report. Oversight responsibility is derived from a number of criteria, including financial interdependency, selection of governing authority, designation of management, ability to influence operations, and accountability for financial matters.

2. Significant Accounting Policies

a. State-Aided Programs: The Chicopee Housing Authority prepares its financial statements for its state-aided programs on the basis of accounting prescribed by EOCD. Under this method of accounting, the Authority's operations are not considered to be self-sustaining, and, therefore, its financial statements do not show provisions for depreciation of structures and equipment. Capital facilities are financed either by grants from the Commonwealth or by debt, which the Commonwealth guarantees and subsidizes. The Authority also receives from the Commonwealth additional subsidies that are applied to operating deficits.

b. Federally Aided Programs: Financial statements for federally aided housing assistance programs are prepared on the basis of accounting

prescribed by HUD. Under this method of accounting, the Authority's operations are not considered to be self-sustaining, and, therefore, its financial statements do not show provisions for depreciation of structures and equipment. Materials and supplies are expensed to operations or capitalized, as applicable.

3. Pension Plan Obligations

Authority employees participate in the Commonwealth of Massachusetts Contributory Retirement System established under Chapter 32 of the General Laws of Massachusetts. The Authority's annual share of its retirement plan contributions is recognized as an expense in the fiscal year the contribution is made.

4. Accounts Payable - Housing Assistance Payments Program

The Accounts Payable shown in Financial Statement No. VII includes overpayments in annual contributions due HUD for the fiscal year ended June 30, 1993, as follows:

<u>Annual Contributions</u> <u>Contract B-1120</u>	<u>Amount</u>
Renewal 10	\$6,411
Voucher	2,436

SUPPLEMENTARY SCHEDULE

Schedule of Federal Financial Assistance

Fiscal Year Ended June 30, 1993

<u>Department of Housing and Urban Development</u>	<u>Federal CFDA Number¹</u>	<u>Annual Contributions Contract</u>	<u>Federal Assistance Received</u>	<u>Expenditures</u>
Lower Income Housing Assistance Program (Major)	14.156	B-1120		
Existing			\$ 453,765	\$ 434,919
Renewal 10			822,117	816,730
Renewal 11			<u>521,200</u>	<u>520,705</u>
			<u>\$1,797,082</u>	<u>\$1,772,354</u>
Section 8 Voucher Program (Nonmajor)	14.177	B-1120	55,978	57,491
Public Housing (Major)	14.850	NY-526	781,895	1,487,144
Comprehensive Improvement Assistance Program (Nonmajor)	14.852	NY-526	<u>138,450</u>	<u>135,594</u>
			<u>\$2,773,405</u>	<u>\$3,452,583</u>

¹Refer to Catalog of Federal Domestic Assistance.



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REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Bruce E. Socha, Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

We have audited the Chicopee Housing Authority's financial statements for the fiscal year ended June 30, 1993 and have issued our report thereon dated December 17, 1993. We have also audited the Authority's compliance with requirements applicable to federal financial assistance programs and have issued our report thereon dated December 17, 1993.

We conducted our audit in accordance with generally accepted government auditing standards and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the Authority's financial statements are free of material misstatement and about whether the Authority complied with laws and regulations, noncompliance with which would be material to a federal financial assistance program.

In planning and performing our audits for the fiscal year ended June 30, 1993, we considered the Authority's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the Authority's financial statements and on its compliance with

requirements applicable to federal financial assistance programs, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated December 17, 1993.

The management of the Chicopee Housing Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles prescribed by the Commonwealth's Executive Office of Communities and Development (EOCD) and the U.S. Department of Housing and Urban Development (HUD), and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Financial Statement Captions:

- Cash and cash equivalents
- Receivables
- Inventory
- Property and equipment
- Payables and accrued liabilities
- Debt

General Requirements:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/costs principles
- Drug-Free Workplace Act
- Administrative requirements

Specific Requirements:

- Types of services
- Eligibility
- Special reporting
- Cost allocation
- Special requirements - HUD Housing Assistance Programs

Claims for Advances and Reimbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the fiscal year ended June 30, 1993, the Chicopee Housing Authority expended 95 percent of its total federal financial assistance under major federal financial assistance programs.

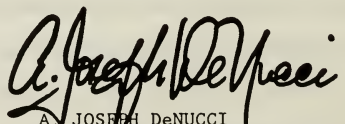
We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or

detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements that are applicable to each of the federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended solely for the use of management, EOCD, and HUD. However, this report is a matter of public record, and its distribution is not limited.

December 17, 1993


ANTHONY JOSEPH DeNUCCI
Auditor of the Commonwealth



The Commonwealth of Massachusetts

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REPORT ON COMPLIANCE WITH GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Bruce E. Socha, Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

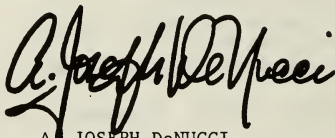
We have applied procedures to test the Chicopee Housing Authority's compliance with the following requirements applicable to each of its federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended June 30, 1993: political activity, Davis-Bacon Act, civil rights, cash management, allowable costs/cost principles, federal financial reports, Drug-Free Workplace Act, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Chicopee Housing Authority's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested,

nothing came to our attention that caused us to believe that the Chicopee Housing Authority had not complied, in all material respects, with those requirements.

This report is intended for the information of management, the Commonwealth's Executive Office of Communities and Development, and the U.S. Department of Housing and Urban Development. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink, reading "A. Joseph DeNucci". The signature is stylized with a large, looped initial "A" and a trailing flourish.

December 17, 1993

A. JOSEPH DeNUCCI
Auditor of the Commonwealth



The Commonwealth of Massachusetts

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REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Bruce E. Socha, Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

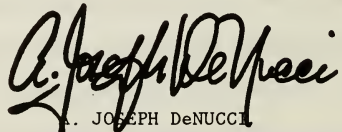
In connection with our audit of the Chicopee Housing Authority's financial statements for the fiscal year ended June 30, 1993, we have audited the Authority's compliance with the requirements governing eligibility, special reporting, contract rents and utility allowances, annual adjustments of contract rents and utility allowances, initial and annual inspection of rental units, types of services, inclusion in construction contracts of a clause prohibiting the use of lead-based paint, procurement actions (i.e., compliance with Section 306 of the Annual Contributions Contract), competitive bidding for each construction and equipment contract over \$10,000, and claims for advances and reimbursements that are applicable to each of its federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended June 30, 1993. The management of the Chicopee Housing Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards and Office of Management and Budget Circular A-128, "Audits

of State and Local Governments." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Chicopee Housing Authority complied, in all material respects, with the requirements governing eligibility, special reporting, contract rents and utility allowances, annual adjustments of contract rents and utility allowances, initial and annual inspection of rental units, types of services, inclusion in construction contracts of a clause prohibiting the use of lead-based paint, procurement actions (i.e., compliance with Section 306 of the Annual Contributions Contract), competitive bidding for each construction and equipment contract over \$10,000, and claims for advances and reimbursements that are applicable to each of its federal financial assistance programs for the fiscal year ended June 30, 1993.

December 17, 1993



A. JOSEPH DeNUCCI
Auditor of the Commonwealth

SUPPLEMENTARY INFORMATION

1. Audit Review

At the conclusion of our audit, we reviewed the results of our audit with James P. Lynch, Executive Director of the Chicopee Housing Authority.

2. State-Aided Housing Programs

Tenant Occupancy: As of June 30, 1993, the status of the Authority's state-aided housing programs was as follows:

<u>Program</u>	<u>Type</u>	<u>Number of Units</u>	
		<u>Authorized</u>	<u>Occupied</u>
400	Family Housing	226	208
	Elderly Housing	590	562
		<u>816</u>	<u>770</u>

3. Federally Aided Housing Programs

The Authority currently administers the following federally aided housing programs:

<u>Program</u>	<u>Type</u>	<u>Number of Units</u>
Section 8	Rental Assistance	383
Public Housing	Family Housing	<u>383</u>
		<u>776</u>

ORGANIZATION

June 30, 1993

The Chicopee Housing Authority is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. James P. Lynch is the Executive Director.

The Authority's office is located at 128 Meetinghouse Road, Chicopee. As of June 30, 1993, the Authority was organized as follows:

Members

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bruce E. Socha 149 Labelle Circle Chicopee	Chairman	January 1997
Paul Genest, Sr. 149 Dale Street Chicopee	Vice-Chairman	January 1995
Adelle L. Love 45 Saratoga Avenue Chicopee	Treasurer	January 1994
Thomas F. Lyons 37 Helen Street Chicopee	Assistant Treasurer	March 1996
John F. Domingos 23 Northwood Street Chicopee	Member	January 1998

